

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**IN THE MATTER OF THE APPLICATION OF )  
HARDIN COUNTY WATER DISTRICT No. 1 FOR )  
 )  
1. APPROVAL TO MODIFY )  
SEWER UTILITY TARIFF SHEET FOR )  
SINGLE CUSTOMER, SPECIAL CONTRACT RATE )  
 )**

**Filing No. \_\_\_\_\_**

**\*\*\*\*\*  
APPLICATION  
\*\*\*\*\***

- 1.. Applicant is a duly organized and operating water district organized and existing under the laws of the Commonwealth of Kentucky (KRS 74 ET. SEQ.) and is engaged in the business of treating and selling potable water and maintaining a water distribution system, and owns and operates two sanitary sewer utilities, located within the Ft. Knox military base reservation (Case No. 2004-00422) and within the City of Radcliff (Case No. 2008-00074).
- 2.. The applicant now operates and does business in an existing service area which includes the city limits of the City of Radcliff, the cantonment area of Ft. Knox and encompasses the City of Vine Grove and a portion of Hardin and Meade counties immediately north of Vine Grove, and includes the sewer service area of record filed with the Commission. The entire service area is within the boundaries of the Commonwealth of Kentucky.
- 3.. The address of the applicant is 1400 Rogersville Road, Radcliff, Kentucky 40160 and has a web site address which is [www.HCWD.com](http://www.HCWD.com).
- 4.. Certified copies of the order of the Hardin County Fiscal Court establishing the water district and all amendments thereto are on record with the Public Service Commission and are unchanged as filed with Case No. 97-081.
- 5.. The applicant initially was approved by the Commission to begin operations as a sewer utility in order from the Commission, 2004-00422, dated December 1, 2004, as a response to the United States, Department of the Army (“DA”), request for proposals to take over ownership and operations of the Ft. Knox sanitary and storm sewer systems. After extensive review of three proposals received by DA, the applicant was selected and began operations of the systems on July 1, 2005.
- 6.. A Utility Service Contract (“Contract”) has been entered into between the applicant and the DA, which governs the terms and requirements of service from the applicant and the DA, and said contract was approved by the Commission under Case No. 2004-00422. A copy of this contract, with all modifications to date, was filed with last tariff change filed with the Commission on August 25, 2008.

- 7.. The applicant has now updated its costs to provide all services under the Contract. The DA continues to require that the applicant charge a fixed monthly amount, for all services provided, including operations, allocated costs and capital. Said charges only apply to this single customer, being the DA.
- 8.. The DA, as the only customer, has been presented with notice of the revised rate (KAR 5:001, Section 8 & KRS 278.185), and evidence of this notification is included as Exhibit 2. Due to timing requirements of the annual DA budget, this rate has already been programmed into the DA budget, with the agreed rate becoming effective October 1, 2010. A letter from the DA accepting the new rate is in the enclosed supporting documentation (Exhibit 3).
- 9.. The revised monthly rate represents an 1.7% increase over the current rate, which has been in effect since October, 2008. The monthly increase is \$4,394, with the total amounts per month being \$230,057 for sanitary sewer services and \$38,840 for storm water services, with the combined total monthly charge being \$268,897. The different cost components compromising the fixed monthly rate are shown in Exhibit 4. Factors which affect and were used in revising the rate are;
  - a.. In revising the contract rate, the Applicant has also adjusted and increased its allocated costs from its other utilities (water and Radcliff sewer), to the DA rate. A comparison of current allocated costs, compared to those originally included in the DA rate, are included in the enclosed documentation (Exhibit 5). Including capitalized salaries (see paragraph below), total Applicant direct and allocated expenses have decreased by 21.6% from the latest calculated allocations in 2008. The reason for the reduction was the addition of the Applicants fourth utility, Radcliff sewer, in 2008, which allowed total fixed costs to be recovered from more customer classes or utilities than previously.
  - b.. The Applicant's calculated depreciation expense, for the Ft. Knox sewer utility, for 2009 was \$509,539. In accordance with the Contract, the Applicant is required to provide an annual Capital Improvement Plan to the DA, and to annually replace an agreed amount of the system. With the revised contract rate, the DA and Applicant have agreed to include annual capital program funding in the amount of \$1,163,917 (using three year average, 2010, 2011 and 2012). The Applicant and DA have agreed that this amount of annual funding will be adequate to maintain the required capital program. A copy of the current year planned capital program is included in the enclosed supporting documentation (Exhibit 6).
  - c.. Of the total operations expense (non-capital) included in the rate to the DA, 93% is for payment to the Applicant's operations contractor, Veolia Water, North America, South, LLC ("VWNA"). The Applicant and VWNA entered into a contract in July, 2005, whereby VWNA would provide all agreed operations services for a fixed monthly fee. A copy of this contract was submitted to the Commission with case 2004-00422. The new fee represents an increase of 3.7%. A copy of the notification memo from VWNA is provided in the enclosed supporting documentation (Exhibit 7).
- 10.. With the initial negotiated agreement, the DoA required a fixed, monthly rate to include all charges and costs. As the requirement for a fixed monthly complete charge, which removes much of the purpose of rate design, the Applicant requests a deviation from KAR 5:001, Section 10, and

request that the Commission consider this rate and tariff revision to be considered a Special Contract, in accordance with KAR 5:011, Section 13.

WHERETO, Hardin County Water Applicant No. 1 request that the Public Service Commission of the Commonwealth of Kentucky consider this filing and tariff change in order to begin charging the new rate no later than October 1, 2010. If additional information is required, the Applicant further requests that the Commission contact the Applicant by telephone or electronic mail with contact information being;

Attorney:

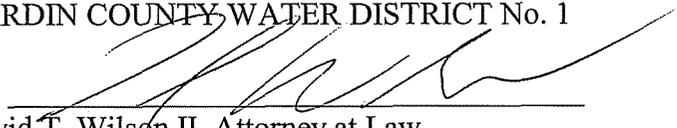
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Dated at Radcliff, Kentucky, this 22<sup>ND</sup> day of SEPTEMBER, 2010.

HARDIN COUNTY WATER DISTRICT No. 1

By: 

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